



ESG POLICY

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1. Introduction

This document describes Capricorn Partners’ global approach to responsible investment and to implementing environmental, social and governance (ESG) considerations in the investment businesses of the managed funds and in its own operations. Capricorn has chosen the integrated approach which concentrates on systematically combining environmental, social and governance information with traditional financial considerations to guide its investment decisions. In addition to the traditional and mechanical exclusion approach, the integrated approach is holistic, pro-active and involves a higher level of expertise and data availability and reporting.

Capricorn commits to integrate ESG factors and responsible investment risks and opportunities not only into the selection of the investment areas of the different funds, but also into the investment processes, the due diligence of the target portfolio companies, as well as, into active ownership and coaching of the portfolio companies.

We also strive to implement those principles into our own company.

In addition, Capricorn commits to report in the yearly annual reports of the funds it manages on the integration of ESG factors in the investment business as set forth in the governing documents of the concerned funds and in accordance with the standard practices of an AIFM manager.

2. The Standards we follow

We are adhering to the more general (i) Ten Principles of UN Global Compact and (ii) UN sustainable development goals (the “UN SDG Goals”), to the (iii) UN Principles for Responsible Investment (the “PRI Principles”) and more concrete to the guidelines prescribed in (iv) the ESG Due Diligence Guidance for Private Equity Investment Teams and their Portfolio Companies of Invest Europe.



2.1. The Ten Principles of the United Nations Global Compact.

By incorporating the Ten Principles of the UN Global Compact into its own policies and procedures and establishing a culture of integrity based on the same principles into its portfolio companies, Capricorn is not only upholding its basic responsibilities to people and planet, but is also setting the stage for long-term success. Capricorn itself and its portfolio companies will at least meet the following fundamental responsibilities in the areas of human rights, labor, environment and anti-corruption.

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

2.2. The UN Sustainable Development Goals

Taking into account the investment scope of a specific fund, Capricorn also strives to have each investment made in a portfolio company to contributing to one or more of the following sustainable development goals which were developed by the United Nations to end poverty, protect the planet and bring prosperity to all by 2030:



2.3. The Six Principles for Responsible Investment

In addition, where consistent with our fiduciary responsibilities towards our investors and relevant for the portfolio companies, Capricorn adheres as well to the following six principles of PRI Investing (the “Principles”):

1. **We will incorporate ESG issues and risk factors into our investment analysis, due diligence and decision-making process.** We are committed to ensure that in our investment policies, in the due diligence, in our investment decision process and in the monitoring of the investments of our funds, ESG factors are taken into account.
2. **We will be active owners and incorporate ESG issues into our ownership policies and practices.** We develop a responsible ownership by taking in principle a board seat in the private portfolio companies and by exercising voting rights in accordance with our Voting Policy which is part of our Code of Conduct. Good corporate governance is key to creating lasting value and we promote and protect shareholder rights consistent with long-term ESG considerations of good governance.
3. **We will seek appropriate disclosure and reporting on ESG issues by the companies in which we invest.** We will yearly report on the ESG issues and our ESG engagement towards our investors and, where relevant taking into account the size and business of the portfolio companies and the requirements of the Fund documentation, report on qualitative and quantitative progress of the ESG factors in the portfolio companies.
4. **We will promote acceptance and implementation of the Principles within the investment industry.** Capricorn is an active member of Professional Standards Committee of Invest Europe promoting ESG investment principles by its members via different ways, such as the development of standard documents (for example the ESG due diligence questionnaire) or tools for benchmarking ESG integration. Being represented in the board of directors of Invest Europe and of the Belgian Venture Capital and Private Equity Association, Capricorn supports regulatory or policy developments that enable implementation of the Principles.



5. **We will work together to enhance our effectiveness in implementing the Principles.** We support and participate in conferences, networks and information platforms to share tools, pool resources and information as a source of learning.
6. **We will report on our activities and progress towards implementing the Principles.** As of the financial year 2018 Capricorn discloses in the annual reports of all its AIFs under management on the implementation of the ESG factors and how ESG issues are integrated within the investment practices of the concerned fund. For its stock market listed fund Quest for Growth and for the venture fund Capricorn Sustainable Chemistry Fund a specific ESG Report is produced.

2.4. The ESG Due Diligence Guidance for Private Equity Investment Teams and their Portfolio Companies

This Guidance provides a summary of good practises available for LP's, GP's and portfolio company management teams to support them in identifying material ESG risks and opportunities during pre-investment screening and in addressing these during the ownership period. This Guidance also refers to the Invest Europe's Professional Standards Handbook which may be consulted on the website of Invest Europe. Capricorn is an active member of Invest Europe.

3. How do we approach and implement ESG Factors in our investment practise?

3.1. Thematic approach and Investment Scope of the Funds under Management

In choosing the investment scopes of its different funds under management Capricorn has chosen areas that definitively have a positive impact on people and planet and serve several UN SDG Goals.

- Quest for Growth invests in the 3 following themes:
 - a) "Digital World", through ICT (information and communication technology) companies in areas such as data processing, connectivity and automation.
 - b) "Clean Planet" through cleantech companies which deliver products or services for a cleaner or more efficient use of earth's natural resources.
 - c) "Health-tech", through healthcare companies that provide solutions to solve health problems.
- Capricorn Cleantech Fund invested in technology-based growth companies that are active in the cleantech category, in, among others, the field of renewable energy and energy efficiency, water, renewable resources and bio-refineries, clean air, CO2 reduction, climate change prevention, green chemistry and advanced materials and this at the stage of applied search, product and process development or production and/or commercialisation.
- Capricorn Health-tech Fund invested in innovative companies that focus on the prevention, diagnosis and treatment of diseases or can contribute to a better human health.



- Capricorn ICT Arkiv invested in innovative companies active in the ICT sector with a particular focus on digital healthcare, Big Data and related technologies. Its successor fund, Capricorn Digital Growth fund invests in data driven companies, focussing on the growing number of opportunities emerging from the conversion of data to actionable insights.
- Capricorn Sustainable Chemistry Fund invests in enabling technology-based growth companies active in the business of bio-based and/or sustainable chemistry including the development of alternative feedstock, such as biomass, carbon dioxide, and waste as feedstock for the chemicals industry, using conversion technology based on catalytic chemistry, biochemistry or electro-chemistry, into novel functional materials for food, feed, fibres and jet fuel.
- Quest Cleantech Fund (sub-fund of Quest Management SICAV, for which Capricorn Partners is the investment manager) invests in quoted companies that deliver products or services for a cleaner or more efficient use of earth's natural resources. At least one third of the portfolio company's activities, measured by revenues, profits or sum-of-the-parts, must correspond to the investment area of the fund (as described in the prospectus).
- Quest+ (sub-fund of Quest Management SICAV, for which Capricorn Partners is the investment manager) invests in the four following themes. The qualified activity (or activities) must represent at least 50% of the company's activities, measured by revenues, profits or sum-of-the-parts:
 - a) "Digital World", through ICT (information and communication technology) companies in areas such as data processing, connectivity and automation.
 - b) "Clean Planet" through cleantech companies which deliver products or services for a cleaner or more efficient use of earth's natural resources.
 - c) "Health-tech", through healthcare companies that provide solutions to solve health problems.
 - d) "Good Life", through companies providing products and services related to well-being, human development, safety and comfort.

We select all portfolio companies carefully in accordance with the investment scopes of each investment fund and in accordance with the principles and investment guidelines agreed with our investors and set forth (i) in the binding Shareholders' agreements of the Venture Funds or (ii) in the prospectuses of the Quoted funds. The risk management department of the management company of each fund controls whether Capricorn Partners invests in the appropriate companies fulfilling the investment scopes of the concerned fund and reports any shortcomings to the executive committee immediately.

For funds fully consisting of quoted equities (Quest Cleantech Fund and Quest+), in order to avoid conflicts with the ESG character of the product, no derivatives or structured products are used, no investments are made in government issued assets, fixed income assets issued by an SPV or fixed income assets issued by a financial institution except for cash. Cash positions are held for liquidity purposes only, are not held structurally or for investment purposes and will typically not exceed 10% of the net asset value of the fund. Investments in other UCITS will only be done after formal commitments of underlying managers or look-through analysis regarding the sustainable character of



the UCITS. In any case the total of investments in other UCITS will be limited to maximum 10% of the net asset value of the fund. The funds are fully actively managed and do not replicate the composition of any indices.

3.2. Due Diligence, Selection Process and Decision-making

3.2.a. Private portfolio companies/venture funds

We conduct an in-dept due diligence on the target companies, which is not limited to a market, technological, financial or business due diligence but also includes a due diligence on relevant ESG factors. Taking into account the particular transaction and investment circumstances, such as the geographical location, the size and stage of the target company, we use the relevant sections of the ESG Due Diligence Questionnaire of Invest Europe.

Since 2018 we are actively looking in our due diligence to positive ESG factors that are fitting into the investment strategy of the concerned fund and these ESG elements are mentioned in the due diligence reports. As these positive ESG factors may vary for each investment opportunity depending on the sector, the geographical location, the business model and the stage of the company, it is difficult to put forward universal quantitative ESG goals that need to be fulfilled in each of the Funds under management. For CSCF for example any target portfolio investment must have a positive impact on several UN SDG Goals, and no negative impact on any of them.

We obviously work with exclusion factors, which will, based on the due diligence findings and taking into account the specific investment focus of the concerned fund, exclude investing in companies that do not respect the Ten Principles of the UN Global Compact or companies that have important ESG risks such as, but not limited to:

- For the environmental impact: if the opportunity is not actively contributing to a cleaner world, or putting efforts in reducing its environmental impact, energy and water usage and CO2 emissions, it should definitively not disproportionately make use of non-renewable energy resources when developing or producing its products or services or the portfolio company should not produce products that lead to an irresponsible burden on the environment.
- For the social impact: we will not invest in companies that do not respect and give no fair compensation to their employees or do not respect the diversity of the social environment or diversity in age, gender, religious believe or race. We aim to invest in companies that comply with all regulatory standards and ask them to ensure the safety and well-being of their employees and consumers when developing, testing or selling their products or we will help them in developing an action plan therefore. We promote management and employee stock ownership. We definitively exclude any investment in companies that do not respect human rights. Capricorn mainly invest in enabling technology-based growth companies in “developed” countries that respect human rights and have protective laws for employees and children.
- For the governance impact: each investment by a Venture Fund is accompanied without a set of transparent rules and principles defining the rights, responsibilities and expectations between all different stakeholders and boards of the target company. We always aim to be represented at the board level and we ask that the financial audit is done by an independent outside auditor in order to ensure an independent and transparent reporting of the portfolio



company. Through our representation in the board of directors, we ensure and bear joint liability that all necessary permits are in place for proper and legitimate company operations and corporate governance.

3.2.b. Quoted equity

Capricorn has integrated ESG factors in the portfolio construction and stock selection process for quoted equity. Next to financial criteria such as growth, financial strength and valuation, it looks at non-financial and ESG criteria during the stock selection process. These include:

- development of sustainable and/or ecological products and services
- efforts to reduce environmental impact, energy and water usage and CO2 emissions
- innovation and investment in development of its workforce
- fair compensation of management and employees
- internal promotion possibilities, management stability and succession
- management and employee stock ownership
- gender diversity
- quality and skills of management
- corporate governance
- transparency and quality of communication

The ESG analysis is mainly based on internal analysis done through multiple methods including analysis of publications, contacts with analysts and contacts with the company. The analysis can be supported by external sources such as ESG broker research and ESG analysis and ratings from data providers.

3.3. Exclusion Factors – negative screening

Generally, for all our funds we exclude investments in sectors and activities with major ESG risks. Exclusion factors refer to product-based exclusions, conduct-based exclusions and to specific exclusion lists published for the quoted funds. Venture funds may have specific exclusions set forth in the concerned shareholders' agreement as well.

Exclusion factors may change over time and Capricorn is monitoring and analysing evolutions and practices related to exclusion categories and can update its opinions to include newer categories.

3.3.a. Product-based exclusions

- Production of weapons: Weapons are defined as products or key components of products that have been designed to injure/kill and are used for military purposes. Components are considered as part of weapon systems if they are tailor-made components that are developed primarily in order to be integrated into a weapon system. In addition to military weapons, civilian firearms, including manufacturing, wholesale or retail sales of guns, rifles and ammunition, are included in the definition of weapons.
- Controversial weapons: they are defined as weapons that are either illegal -as their production and use is prohibited by international legal instruments- or deemed particularly controversial because of their indiscriminate effects and the disproportionate harm they cause. This



includes illegal weapons such as cluster munitions, anti-personnel mines and depleted uranium ammunition and weapons of mass destruction such as biological and chemical weapons.

- Coal or coal-based energy production. This includes mining companies that produce thermal coal and power companies active in coal-based power production.
- Nuclear energy production.
- Non-conventional oil & gas production. This includes oil shales, oil sands-based synthetic crudes and derivative products, shale gas and arctic oil & gas extraction.
- Production and trade of tobacco. This includes production of tobacco, products that contain tobacco, e-cigarettes and wholesale or retail sales of these products.

For the quoted equities, a tolerance threshold of 5% of revenues is accepted for any direct involvement (in general defined as production and wholesale trade of these products) in the above-mentioned industries except for controversial weapons for which there is a zero tolerance or threshold level for exclusion. For companies that are indirectly involved in the activities mentioned above, such as the delivery of components, delivery of support services or distribution of products (except for controversial weapons), the activities of the companies qualifying for positive screening must substantially outweigh the indirect exposure to the negative excluding activities mentioned above.

3.3.b. Conventional oil & gas extraction and electricity generation (quoted equity)

Quoted companies with a significant activity in conventional oil extraction and electricity generation based on fossil fuels will be avoided. Practically, the Quest funds will not invest in quoted equities classified in:

- GICS Sector 10 “Energy” except for companies with at least one third of their activities coming from renewable energy;
- GICS Industries 551010 “Electric Utilities”, 551020 “Gas Utilities”, 551030 “Multi-Utilities” and 551050 “Independent Power and Renewable Electricity Producers” except for Sub-Industry 55105020 “Renewable Electricity” or other companies with at least one third of their activities from renewable energy or water utility services.

Without prejudice to the foregoing, the funds will not invest in companies with in aggregate more than 30% of their activities in energy extraction and/or electricity generation based on fossil fuels and/or nuclear. For fossil fuels no distinction is made between oil and gas.

3.3.c. Conduct-based exclusions

Capricorn expects all its portfolio companies to adhere to the United Nations Global Compact. Consequently, it excludes companies with undesirable behaviour related to the areas of human rights, labour rights, environmental challenges and responsibilities and anti-corruption.

These exclusions (also) include undesirable behaviour related to areas such as public morals and/or public order, taxation, financial speculation on agricultural commodities, severe environmental damages, biodiversity and water use.



3.3.d. Additional exclusion lists for quoted equities

Capricorn compiled its own proprietary exclusion list by aggregating the exclusion lists of quoted companies from publicly available external sources, such as the Norges Bank Investment Management, PGGM, NN, Stockholm International Peace Research Institute (SIPRI) Arms Industry Database, and others. Capricorn uses multiple sources of exclusion lists (often with large overlap between excluded companies). As such, Capricorn will have enough sources available if one or more of the current sources would cease to be publicly available.

Capricorn can additionally exclude companies where its own internal analysis shows shortcomings on the level of undesired activities or behaviour. The same philosophy applies for smaller companies which may not have been screened by external sources. In the screening of companies, activities of the company itself and its controlled entities (i.e. more than 50% shareholding) are considered.

3.4. Active Ownership

3.4.a. Venture funds

The portfolios of all the funds management by Capricorn are actively managed. Capricorn considers the personal contact with the management of the portfolio companies to be of utmost importance.

For the Venture Funds, in principle, it is a condition of initial investment to be represented at the board of directors. The Venture Funds mostly invest in companies in their early stages which requires a coaching starting from the product-market-fit, to profitable business model and successful go-to-market, and then extends with further emphasis on corporate responsibility and governance as the company matures. As members of the board of a portfolio company or during the personal contacts with the management, we ask to work on an own corporate responsibility policy taking ESG related issues into account and to adopt a corporate governance which promotes good governance at the level of management and human resources.

Geographically all the funds of Capricorn mostly invest in companies that are reachable in less than one day travel time by the investment managers.

As managing director of the funds under management, Capricorn exercises the voting rights attached to the securities in the portfolio in accordance with the principles and procedures laid down in its "Voting Rights Policy". Our exercise of voting rights is a substantive way of declaring shareholders' intentions and fulfilling our fiduciary responsibilities and to ensure that corporate governance is exercised in an active way in accordance with the investment objectives and policy of the concerned fund. Therefore, Capricorn has set forth a voting rights procedure which must be followed by all investment managers. We consistently report in our annual reports of the funds on the exercise of the voting rights: how many times, in which way and whether these decisions had a specific influence on ESG aspects.

3.4.b. Quoted equity

Capricorn is an active shareholder investing a major part of its assets under management in small to medium-sized growth companies in Europe. As such, the investment managers of Capricorn engage



with portfolio companies during personal contacts with the management to discuss and promote ESG-related issues.

For the managed funds where Capricorn has the authority to exercise the voting rights of the portfolio companies, Capricorn will exercise these voting rights, when deemed desirable or necessary. The principles, methods and procedures of the Voting Rights Policy are described in Capricorn's Code of Conduct.

Engagement and voting policies are carried out and established with respect for the company values and people.

Specifically for companies with significant activities in oil & gas extraction and electricity generation derived from fossil fuels (as defined in 3.3.b.), Capricorn's efforts in engagement with the company or exercise of voting rights will encourage companies to (further) reduce exposure to these activities.

If goals or expectations of Capricorn's efforts in engagement with the company or exercise of voting rights do not meet its expectations, divestment and exclusion will be considered.

3.5. Monitoring and Reporting

We monitor financial and non-financial performance of our portfolio companies, including the environmental, social and governance related risks and/or opportunities. We report to our investors at least annually (and whenever there is a substantial issue) on ESG matters relating to our funds and underlying investments in compliance with the shareholders' agreements of each fund and in compliance with the standards set by the industry or market authorities, such as Invest Europe, the IPEV guidelines and applicable legislation. For example, CSCF reports on portfolio companies that claim to reduce CO2 emissions, where possible, in line with the PCAF methodology. This annual reporting is submitted to and reviewed by the board of directors.

The executive task of monitoring the ESG commitments is assigned to the investment manager dedicated to the specific portfolio company. Whenever the investment manager deems it necessary, ESG/SRI is discussed during the regular investment team meetings and at least annually for the preparation of the annual ESG report.

4. ESG in our own company

We aim to minimize any burden to the environment caused by our own activities. We do this by small daily choices, such as, the use of digital conferencing instead of travelling to face-to-face meetings, the use of digital documentation formats such as Drooms, take sustainability into account in the procurement of our office supplies, actively reduce or sort and recycle office waste. An electric charging point is available in the venue of the office. Although the direct impact of these measures is limited, the indirect impact may be much larger by developing a different mind-set for ourselves, and by inspiring others.

As to people, we seek to promote a culture and work environment that is respectful, sincere and open. We carefully follow applicable labor, safety and health regulations and have valid licenses and permits for all our operations. We actively create an atmosphere of transparency and open communication:



we inform the staff of our business activities, new policies and financials every quarter and we have an informal lunch together every last Friday of the month. The Capricorn team is diverse in gender, age and nationality, these are the areas on which we focus for anti-discrimination support. We have an equal split of men and woman and do not discriminate on age, having members of staff younger than 30 and older than 70. We strive to promote equal opportunities for all individuals in accordance with our Human Resources Policy. A significant portion of the net profit of Capricorn is shared with all the staff on an equal basis. We aim to proactively contribute to the satisfaction and the long-term engagement of our employees via carried interest schemes.

We conduct our business by good ethical principles and follow the industry best practices, as well as, the principles agreed with our investors. We have established an Integrity Policy and Corporate Governance Charter that is carefully followed, updated and monitored by the compliance officer. Compliance is put at the highest level of corporate governance as the compliance officer is member of the executive committee and board member of Capricorn. We provide extensively quarterly and annual reporting to our investors in a transparent way. In each of our funds there is an alignment of interests between the investors and the management team.

We adhere to the compliance undertakings of the European alternative investment fund management directive, the corresponding Belgian Law, the conditions put forward by the Belgian Markets Authority and the guidelines of Invest Europe.

The Compliance Officer is responsible for the monitoring and updating of this Policy and for the awareness thereof by all staff members.